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Preparing for a Blockchain Future

Consider three key questions when determining how to make blockchain a useful part of your business strategy.

Michael Ferguson • September 11, 2018

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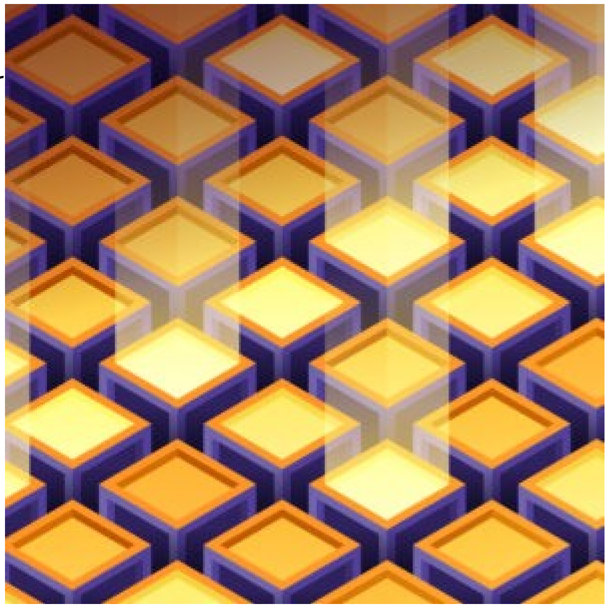

Blockchain technology is set to be a major player of the future digital economy, but many business leaders remain unsure what that means for their companies going forward.

In a Deloitte survey of 308 senior executives at large U.S. companies, 39% of respondents had little or no knowledge about blockchain technology. A survey of more than 200 board-level, non-IT executives in the U.K. yielded similar results: About 40% said they do not fully understand the technology, and less than 10% believe their organizations have the necessary skill sets to adopt it.

To start by unpacking what blockchain really means, let's refer to HubSpot's approachable definition: Blockchain is "a record-keeping technology that is nearly impossible to tamper with. That's because a blockchain's records, or 'ledger,' is hosted by everyone in the network and openly available to everyone in the network, like a public spreadsheet that they add to but can never edit or delete."

But where should business leaders go from there? How can they determine best practices for utilizing the decentralized web and make blockchain technology a useful part of their business strategy? My organization has found it useful to focus on the following three questions. These offer particular benefits for platform businesses, which will need to address weakening network effects as they lose ownership of participants' data.

1. What value will we offer? This first question gets at the paradigm shift the decentralized web presents. The advent of blockchain isn't just about new ways of operating. It forces many businesses — platforms in particular — to take a fresh look at *why they exist*.

Consider, for example, eBay, Uber, and Airbnb. Throughout the era of TCP/IP (the web protocol that computers use to talk to each other), these platforms have acted largely as centralized repositories of information. You want to buy a product, they know who has it for sale. You need a ride, they know who can give you one. You need a place to stay, they know who has an extra bedroom to rent.

But as blockchains become more common, this kind of information will become publicly available and searchable. You won't need a centralized authority to show you who has the waffle maker you're looking for; you'll be able to see a verified record of who is selling the waffle maker you want at a price you're willing to pay and who has a track record demonstrating trustworthiness in such exchanges.

To stay relevant, companies will need to provide value in new ways. This requires creative thinking. In the case of my startup Rainmakers, our current business model focuses on placing sales professionals with leading technology companies. However, people will soon own and fully control the data that they now make available and view on our platform. Hiring managers will be able to find candidates with the right skills, experiences, and recommendations to meet their needs — without our help.

So, we're investigating other ways to make hiring managers' lives easier. These offerings include phone screening, validation of candidate data, and onboarding support. We're also exploring how we might help candidates make themselves more attractive to employers. We're rethinking our business model because blockchain could render the old one obsolete. This kind of strategic foresight and ability to sense and pivot will be crucial for organizations trying to compete in a blockchain-enabled world.

2. How public will our blockchains be? The next step is to decide whether to invite everyone into the blockchain network or create a more limited system just for verified participants. This, too, is a strategic question. It involves weighing the advantages and risks of an "open source" approach.

My team could end up doing both. For instance, we might build a public network where candidates can share much of the information that employers are looking for and also set up a private one with paid access to more granular data about individuals' work experience and sales records. For everyone in the private blockchain — candidates and companies alike — all public and private information would be funneled through one integrated profile, simplifying the user experience.

Having a robust and growing public blockchain would draw all the right players to our business, including job seekers, hiring managers, and other staffing companies. And the bigger our public blockchain becomes, we're betting, the more companies will want to pay for access to the private one.

3. What incentives will we offer to participate? We recognize that we won't suddenly have millions of individual job seekers and staffing companies creating profiles on our blockchain. We'll need to draw them in by first attracting a critical mass of hiring companies to the platform early on — which means providing immediate value to those partners.

Even if the number of candidates on our private blockchain is small at first, we'll be working to gather information from them that isn't available elsewhere — this kind of information will help companies make the right hires, as we've seen over the years placing salespeople into different organizations. Likewise, other businesses could follow a similar model, capitalizing on their expertise in their respective industries while moving to a blockchain strategy.

For example, businesses might offer crypto tokens, or blockchain assets, as additional incentives for participation. (For a helpful primer on tokens, see "Some Simple Economics of the Blockchain," a working paper by Christian Catalini of MIT Sloan School of Management and Joshua Gans of the Rotman School of Management.) We're considering how we might use tokens as incentives at Rainmakers. We could allow job candidates to earn them for keeping their résumés updated, for example, and cash them in for enhanced visibility on our platform, the chance to apply for certain positions, or services such as training and assessment. Employers who use our site could earn them by validating employees' data and spend them on vetting and onboarding services. We could allow third parties to provide services on our platform and earn tokens, as well.

To Innovate, Be Willing to Evolve

Of course, our strategy will most likely evolve as we see how blockchain technology is adopted in our industry and as our own implementation presents new challenges and opportunities. That will be the case for every business. It's important to revisit these three questions and continually assess and adjust the business model.

Blockchain and the decentralized web aren't just hype. They're what lie ahead. According to the Deloitte survey, 21% of senior executives who are informed about blockchain indicated that their company has already brought the technology into production, while 25% plan to do so within the next year.

Businesses that don't sort out their blockchain strategy soon risk being disrupted by competitors and, worse, watching their entire business models go obsolete.

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